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# Strategic Approaches to Sustainable Regional Development: An Exploratory Study of the China (Anhui) Pilot Free Trade Zone

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## Abstract

This paper analyzes the advantages and opportunities of regional development prospects of the China (Anhui) Pilot Free Trade Zone. In addition, it provides suggestions for the future development of the Anhui Pilot Free Trade Zone. The establishment of the Anhui Pilot Free Trade Zone is a major platform for Anhui Province, China, to serve the nation's opening-up strategy to the world and an opportunity for the Anhui region to enhance the level of an open economy. The development plan points out that the Anhui Pilot Free Trade Zone 1) takes institutional innovation as the core, 2) complies with the requirements of the innovation-driven development and promotion of the Yangtze River Delta regional integration development strategy, and 3) plays a vital node role in promoting the construction of the Belt and Road Initiative, and 4) accelerates the construction of scientific and technological innovation sources, advanced manufacturing and strategic emerging industries. The findings of this study highlight three critical achievements as follows: 1) optimization and improvement of the business environment have progressed, 2) the conversion rate of scientific and technological innovation achievements has increased, and 3) advanced high-tech manufacturing and strategic emerging industries are clustered and developed.

**Keywords:** Free Trade Zone, Comparative Advantage, Regional Development, Sustainable Development, Anhui Pilot Free Trade Zone, Yangtze River Delta

**JEL Classification Code:** F02, F16, F18, F21

## 1. Introduction

### 1.1. Pilot Free Trade Zone (FTZ) in China

According to a report by the National People's Congress of China (2018), in 1978, the Communist Party of China made the historic decision to reform and open up. 2018 marks its 40th anniversary; China's reform and opening-up have made outstanding achievements, continuously leading the country to a better future. In 2018, a pivotal year for China to secure a significant victory in building a moderately prosperous society in many respects, the reform and opening-up, a

unique pathway discovered and developed by the country, was noted as a success. From a geographical perspective, all the provinces to the east of the Heihe-Tengchong Line - regions southeast of the line account for 40 percent of Chinese land territory but more than 90 percent of the Chinese population - except Jiangxi in the middle, Guizhou in the west, Shanxi in the north and Jilin in the northeast, are covered by FTZs (see Figure 1). In the near future, FTZs will be set up in every province east of the Heihe-Tengchong Line in China. This will be an essential step for China in building a new pattern of all-around opening-up.

Over the past few years, FTZs have introduced policies to expedite customs clearance for imported goods and improve intelligent monitoring of the flow of goods between them and other parts of the country. Moreover, as long as there are no explicit prohibitions in relevant laws and regulations, citizens or legal persons can act independently in FTZs. In addition, China is implementing a "pre-establishment national treatment" plus "negative list" management system for foreign investment and moving ahead in the liberalization of trade and the facilitation of investment while continuing to streamline administration and delegate powers, all of which

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## 中国自贸区地域分布



**Figure 1:** Geographical Distribution Map of Free Trade Zones in China

Source: National Bureau of Statistics (2021b)

are tangible results of reform and opening-up (National People's Congress of China, 2018).

It is expected that the opening-up and reform of FTZs will lead to greater depths. Further reform is needed to promote the development of the service trade, and China's financial sector should accelerate in further opening up. In September 2020, the State Council, China's cabinet, issued the Overall Plan for the Beijing, Hunan, and Anhui Pilot Free Trade Zones and the Plan for the Expansion of the Zhejiang Pilot Free Trade Zone. This is the sixth batch of measures tested by the pilot FTZs since 2013, bringing the total number of free trade zones nationwide to 21 (China Today, 2020).

The construction of the sixth batch of pilot FTZs emphasizes the integrated development of metropolitan areas through the integration of industrialization, urbanization, and agriculture. This is also in line with the 14<sup>th</sup> Five-Year Plan. The new batch of FTZs will focus on developing urban agglomerations in the Beijing-Tianjin-Hebei region, the Yangtze River Delta, and cities along the middle reach of the Yangtze River. It can be seen that the Beijing Pilot FTZ will form a pilot free trade belt with Tianjin and Hebei. After it is approved, the Anhui FTZ will naturally run on the fast track of the Yangtze River Delta economic integration. The FTZ in Hunan has a unique role as an international

investment and trade corridor linking the Guangdong-Hong Kong-Macao Greater Bay Area while deepening economic and trade cooperation with Africa (China Briefing, 2020).

Within China's endeavors to build a dual circulation development pattern, the expansion of FTZs has broad implications. In the face of unprecedented changes and a once-in-a-century pandemic, China is advancing trade globalization by building a new pattern to deepen comprehensive reform and expand opening-up on all fronts (China Today, 2020).

### 1.2. The Yangtze River Economic Belt

According to Xinhua News (2021), China will increase fiscal and tax support to promote high-quality development of the Yangtze River Economic Belt, a State Council executive said on August 25, 2021. The meeting, chaired by Premier Li Keqiang, also reviewed and adopted an outline for women's development in China during the 2021–2030 period and an outline for children's development in China during the 2021–2030 period. Efforts should be made to support ecological conservation in provinces and cities along the Yangtze River and coordinate protection and restoration of the ecology of mountains, rivers, forests, farmlands,

lakes, and grasslands, said the meeting. The meeting said that fishing in pivotal waters of the Yangtze River should be banned, and efforts should go into helping fishers who relinquished their nets as required by a 10-year fishing moratorium. The meeting said that provinces and cities along the Yangtze River should be encouraged to build pilot FTZs and comprehensive bonded zones. It underlined supporting small and medium-sized enterprises to explore the international market and promoting the transformation and upgrading of foreign trade.

The Anhui FTZ has undertaken industrial transferring and agglomeration to the north, all of which give full play to the advantages along the Yangtze River from Wuhu to Ma'anshan and facilitates the Anhui region in integrating into the Yangtze River Delta. Furthermore, having the support of the University of Science and Technology of China, the Anhui region can tap into its strength as a science and technology center, providing intellectual support for economic integration in the Yangtze River region. It is also conducive to the differential development of Shanghai, Jiangsu, Zhejiang, and Anhui to give full play to their comparative advantages (National Development and Reform Commission, 2020).

### 1.3. China (Anhui) Pilot Free Trade Zone

On September 21, 2020, the State Council issued the “Notice on the Overall Plan for the Beijing, Hunan and Anhui Pilot Free Trade Zones and the Regional Plan for the Expansion of the Zhejiang Pilot Free Trade Zone.” Furthermore, on September 24, China’s Anhui Pilot Free Trade Zone was officially unveiled. The establishment of the Anhui Pilot Free Trade Zone is a major mission entrusted by the Party Central Committee and the State Council to Anhui, a major platform for Anhui to serve the country’s opening-up development strategy and a major opportunity for Anhui to improve the level of open economic development (Anhui Provincial People’s Government, 2021).

Anhui Provincial People’s Government (2021) issued the other day a notice to distribute the “China (Anhui) Pilot Free Trade Zone Special Promotion Action Plans.” In the document, the strategic positioning and development goals of the pilot FTZ have been clearly defined. It has put forward that the construction of the zone should be focused on institutional innovation, and the replicability of the applicable practices developed by the zone are the basic requirements for fully implementing the innovation-driven development strategy, the strategy of regional integration development in the Yangtze River Delta and other requirements issued by the central government. The document also requires the zone to play an important role as a node in the construction of the Belt and Road and the development of the Yangtze Economic Belt, to deepen the integration of sci-tech innovation and the development of economic entities, and to accelerate the

construction of the source of scientific and technological innovation and the cluster development of advanced manufacturing and strategic emerging industries, to form a new high ground of reform and opening up in Anhui Province.

The zone is expected to complete more internationally competitive institutional innovation achievements in three to five years of reform and exploration, accumulate practical experience for further opening-up, push forward scientific and technological innovation, industrial innovation, enterprise innovation, product innovation, and marketing innovation, and promote the construction of large open channels and large platforms, make it easier for customs clearance, and work hard to make the pilot free trade zone a high-standard and high-quality one featuring convenient trade and investment, active and energetic innovation, high-end industrial agglomeration and complete financial services, safe and high efficient supervision and outstanding influence and driving role.

## 2. Development Plans for China (Anhui) Pilot Free Trade Zone

### 2.1. Development Goals

The core role of the Anhui FTZ is to build innovative institutions which can be promoted and copied to fulfill the central government’s goals for the region. These include the coordinated development of the Yangtze River Delta region. In addition, it will play an important role in advancing the Belt and Road Initiative and the Yangtze River Economic Belt, driving the in-depth integration of technology and economic development, and accelerating the establishment of a technology innovation hub, advanced manufacturing clusters, and strategic emerging industries. In this way, the Anhui FTZ will become a standard-bearer for opening up China’s inland regions (Anhui Provincial People’s Government, 2021).

The Anhui FTZ aims to develop new institutions to become more internationally competitive over an initial three to five years of reform and exploration and gain practical experience for further opening up. It will promote innovations in technology, industry, products, and markets. The FTZ will also advance the construction of channels and platforms for opening up and simplifying customs clearance procedures. The aim is to establish a high-quality free trade zone convenient for trade and investment, with strong innovation, convergent high-end industries, sound financial services, and safe and efficient supervision, with evident benefits for the surrounding areas (see Table 1).

### 2.2. Foreign Investment Management

“The Special Administrative Measures (Negative List) on Foreign Investment Access in Pilot Free Trade

**Table 1:** Development Goals of the Three Major Areas of the Anhui Pilot Free Trade Zone

City	Area Size	Development Goals
Hefei	64.95 km <sup>2</sup>	Build a comprehensive national science center and industrial innovation center leading area with global influence
Wuhu	35 km <sup>2</sup>	Build a strategic emerging industry pilot zone and a Jiang hai intermodal international logistics hub area
Bengbu	19.91 km <sup>2</sup>	To build a world-class silicon-based and bio-based manufacturing center, and a leading area for scientific and technological innovation and open development in northern Anhui Province

Zones,” issued by the National Development and Reform Commission (2020), sets out measures governing issues such as equity ratios and senior management personnel of businesses operating in FTZs in China. For industry sectors falling outside the scope of the negative list, the principle of foreign and domestic investors receiving the same treatment will apply.

Special administrative measures relating to national security, public order, public culture, financial prudence, government procurement, subsidies, special procedures, and tax-related matters not on the negative list remain subject to existing provisions. In addition, foreign investment concerning national security is subject to review following China’s rules on foreign investment security review.

### 2.3. Locations

#### *Hefei Area*

With an area of 64.95 sq km, Hebei will focus on developing industries in high-end manufacturing, integrated circuits, artificial intelligence, novel displays, quantum information, financial technology, and cross-border e-commerce. It aims to become a comprehensive national science center and a pilot zone for industrial innovation with global impact.

#### *Wuhu Area*

This 35 sq km area will focus on developing industries in smart connected cars, smart home appliances, aviation, robotics, shipping services, and cross-border e-commerce. It aims to become a pilot zone for strategic emerging industries and an international logistics hub for intermodal riverocean transport.

#### *Bengbu Area*

Bengbu has an area of 19.91 sq km and will focus on developing silicon and bio-based new materials and novel energy technologies. It aims to become a world-class manufacturing center and a pilot zone for technology innovation and open development in northern Anhui.

## 3. Opportunities for Development of China (Anhui) Pilot Free Trade Zone

### 3.1. Factor Endowments

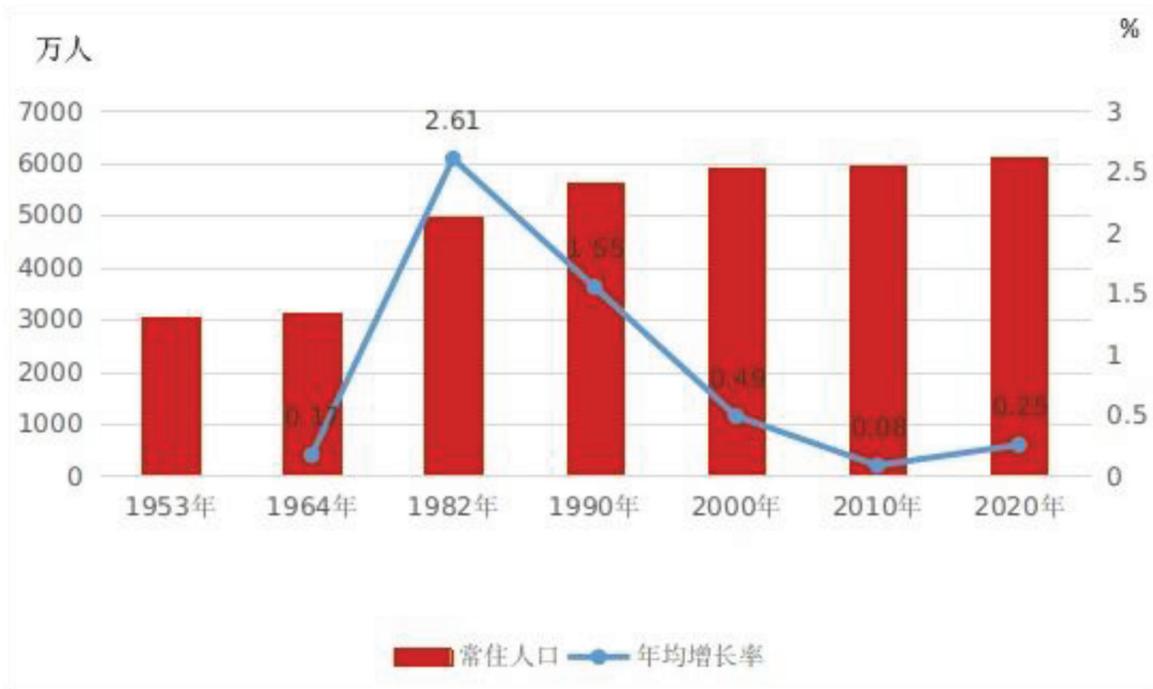
#### 3.1.1. Location Advantages

Anhui Province is adjacent to Jiangsu and Zhejiang in the east and Shandong in the north. It is located in the middle and lower reaches of the Yangtze River and the Huaihe River. It is the hinterland of the Yangtze River Delta and an essential member of the Yangtze River Delta Economic Belt and the rise of the central region. The economic radiation of developed coastal cities drives their development. In addition, Anhui Province is located in the middle and east, and the coast is connected to the river. Therefore, transportation is convenient and essential to the national development strategy.

Anhui has vast land. Anhui Province has 139,600 square kilometers, much larger than Shanghai’s 6,340.5 square kilometers. The Anhui FTZ covers an area of 119.86 square kilometers, and the Shanghai FTZ covers an area of 28 square kilometers. The vast area of Anhui Province directly affects the planning of its FTZ. Compared with the developed Shanghai FTZ, and has the advantage of land area, which also shows that the future development space of Anhui FTZ is huge (Anhui Provincial People’s Government, 2021).

#### 3.1.2. Quality Labor Forces

In 2019, the permanent population of Anhui Province exceeded 60 million. As of November 1, 2020, the resident population of Anhui Province was a 61million (Anhui Provincial Bureau of Statistics, 2021), ranking eighth in the country. Since the 21st century, the total population of Anhui has always maintained positive growth, showing a rising trend (see Figure 2).



**Figure 2:** The Resident Population and Average Annual Growth Rate in Anhui Province  
 Data Source: Anhui Provincial Bureau of Statistics (2021)

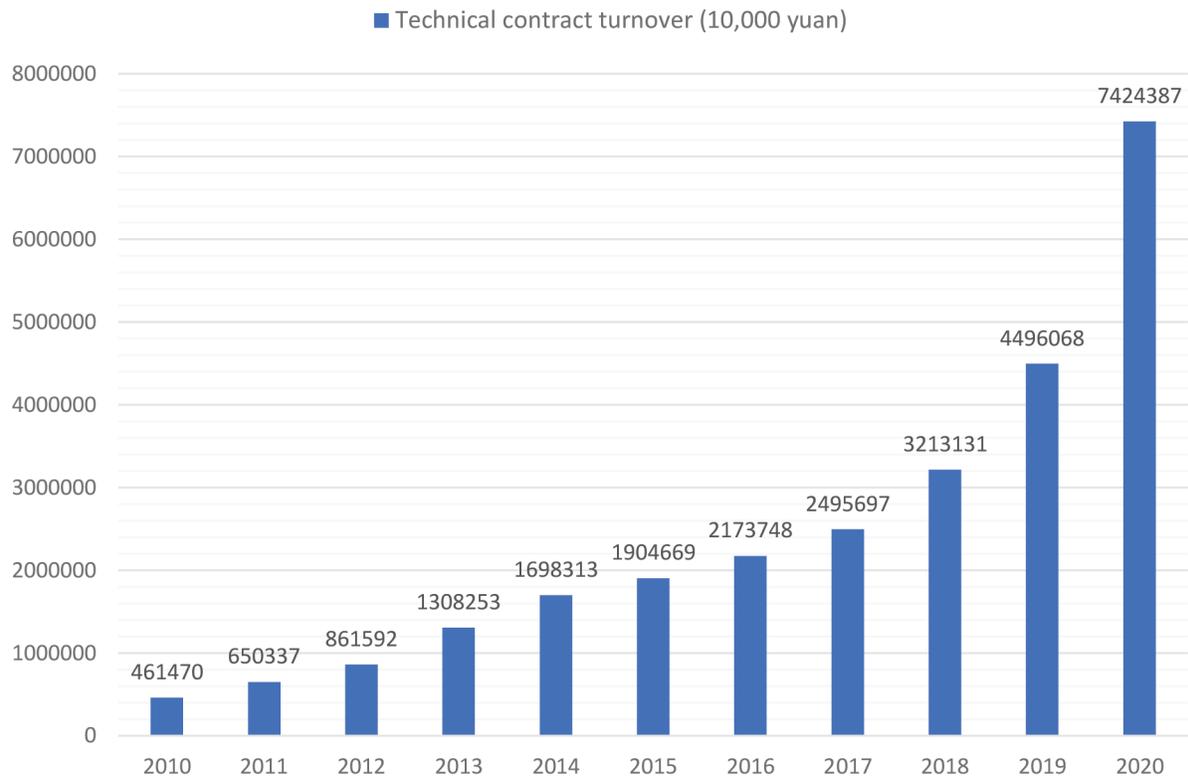
### 3.1.3. Technological Innovation Potentials

Anhui is a pilot province of the national technological innovation project, rich in technological resources, providing technological innovation support for developing the three pilot free trade zones in Hefei, Wuhu, and Bengbu. There are more than 100 colleges and universities in Anhui Province, which are mainly concentrated in the three pilot free trade zones in Anhui Province. The University of Science and Technology of China is the place for scientific and technological innovation. Furthermore, it is located in Hefei and focuses on the four fields of energy, information, life, and the environment. Relying on the national comprehensive science center, it has continuously promoted economic development, industrial transformation, and upgrading. In the past five years, the turnover of the Anhui technology market has grown rapidly, and it exceeded Zhejiang province for three consecutive years from 2014 to 2016; in 2018, the regional innovation capability of Anhui Province ranked first in the country for seven consecutive years, the number of various scientific and technological institutions has reached more than 6,000 in 2020, the technology market turnover was 74,243,870,000 yuan, an increase of 65.13% year-on-year in 2020 (National Bureau of Statistics, 2021a).

On September 21, 2020, the State Council Information Office stated at a press conference that Anhui’s emerging industries are developing rapidly, and the elements of emerging industries are active. Strategic emerging industries account for 35% of Anhui’s industrial output value above the designated size. Anhui Province actively explores a technology transaction cooperation mechanism that conforms to international rules and strives to create an influential scientific and technological innovation source. It reflects that Anhui’s scientific and technological advantages have been continuously enhanced in recent years, from theory to practical application, and are changing to competitive market advantages (see Figure 3).

### 3.1.4. Strategic Resources

The establishment of the Anhui FTZ marks that the Yangtze River Delta has completed the full coverage of the FTZ, accelerating the economic linkage of the Yangtze River Delta region. In 2020, the Anhui FTZ was officially approved, establishing an Anhui FTZ covering an area of 119.86 square kilometers. The Anhui FTZ is divided into Hefei, Wuhu, and Bengbu areas, which focus on the respective characteristics and critical industries of the three areas. The Yangtze River Delta Economic Belt drives the development of the Anhui



**Figure 3:** The Total Turnover of Technology Contracts in Anhui Province from 2010 to 2020

Data Source: National Bureau of Statistics (2021b)

FTZ, connects with the Jiangsu-Zhejiang-Shanghai FTZs, and explores the formation of regional linkages and synergies (China Government Network, 2021).

The leading role of the Anhui FTZ areas - in terms of reform and opening-up in Anhui Province - has been accelerated, and the reform of investment and trade facilitation has continued to be deepened. The vitality of the market and the driving force of innovation have further highlighted the increasingly prominent role of the engine of high-quality development. Since its establishment on September 24, 2020, the three areas of the Anhui FTZ have taken active actions, experimented, innovated, reformed independently, and solidly promoted the “9+3+N” special action plan. In August, the Anhui FTZ realized imports and exports of 97.66 billion yuan, the actual use of foreign capital was 1.24 billion US dollars, and the tax revenue was 24.22 billion yuan. With less than one-thousandth of the provincial area, it contributed 22% of the province’s import and export volume and 10% of foreign direct investment. As of September 2021, Anhui FTZ has established 11,320 new enterprises, signed contracts to settle in 826 projects,

and attracted 459.91 billion yuan of investment (Anhui Provincial People’s Government, 2021).

The Anhui FTZ will promote the development of the Yangtze River Delta regional integration strategy, play in promoting the construction of area all the way and important nodes in the development of the Yangtze River Economic Zone, promote the development of science and technology innovation, and the real economy depth fusion; this area will move faster to develop scientific and technological innovation hubs, cluster advanced manufacturing and strategic emerging industries, and make the inland a new focal point in opening up. The Anhui FTZ will be given greater autonomy for reform, and further differentiated exploration will be carried out. China has benchmarked advanced international rules, stepped up opening-up, and carried out institution-based rules, regulations, management, and standards. Through three to five years of reform and exploration, they should make more institutional innovations with international competitiveness, accumulate practical experience for further opening-up, promote innovation in science and technology, industries, enterprises, products, and markets, and promote

the development of opening up channels, platforms, and customs clearance. They will strive to build a high-standard and high-quality free trade park featuring convenient trade and investment, vigorous innovation, high-end industries, sound financial services, safe and efficient supervision, and significant driving effects.

## 3.2. Supporting Industries and Institutional Innovation

### 3.2.1. Industrial Transformation

According to Akamatsu (1962), capital and technology products that are developed at the export stage will be moved to a relatively backward and import stage, a process known as industry transfer. In the process of economic development and industrial upgrading, Kojima (1978) proposed that relatively developed countries would have industries with comparative disadvantages, and developed regions would improve the economic development level of the out-zone and in-zone by transferring marginal industries with comparative disadvantages to regions where they could be more transformed into comparative advantages. Shao (2018) defined industrial transfer from the perspective of comparative advantage, believing that industrial transfer is a process in which developed regions transfer industries that lose their comparative advantages to less developed regions in the production process. Anhui's geographical position is superior and close to the Yangtze River Delta economic development area. At the same time, it is an important transportation hub in China. Therefore, it is conducive to undertaking industrial transfer of high-end manufacturing and service industries and realizing industrial transformation and upgrading.

### 3.2.2. Digital Economy and Infrastructure

Focus on digital empowerment, explore how the manufacturing industry digitalized, networked, intelligent development of the new formats, mainly promote the development of emerging industries, build a new strategic development pattern of digital Anhui (Xing et al., 2020). Take the current situation of digital economy development in Hefei, the provincial capital, as an example. According to the 2019 White Paper on Digital Economy Industry Development in Hefei, the scale of the digital economy in Hefei was 292 billion yuan in 2018, accounting for 37.3% of GDP, 2.5 percentage points higher than the national average (34.8%). Among 35 cities (sub-provincial and provincial capitals), Hefei ranks 13th on the digital economy scale, higher than GDP. Among provincial capitals, Hefei ranks eighth. Hefei's digital economy Development Index was 51.31, higher than the average level of digital economy

development (41.77) (National Bureau of Statistics, 2021a). The ranking of the Digital Economy Index is significantly higher than that of GDP, indicating that the development level of the digital economy in Hefei is outstanding. Anhui Province has a comparative advantage in developing the digital economy and has entered the new digital business mode earlier.

### 3.2.3. Institutional Innovation

Institutional endowment refers to legislative and administrative systems - the formal mechanisms that appoint legislators, enact and enforce laws and regulations, and determine the relationship between the two systems. Furthermore, an institutional endowment is more reflected in institutional innovation. System innovation is the core content of social politics, economy, and the innovation of management system, governing human behavior and the relationship between the change in the rules, is the change in the relationship between the organization and its external environment, its direct result is to inspire people's creativity and enthusiasm, to constantly create new knowledge and reasonable allocation of social resources and social wealth continuously emerging, Ultimately promote the progress of society. At the same time, good institutional innovation will stimulate the internal vitality of local enterprises by increasing their autonomy, thus boosting their development. From the perspective of institutional endowment, Anhui FTZ can be discussed from the following aspects:

Per the instructions of the central government, the provincial government issued the "China (Anhui) Pilot Free Trade Zone Special Promotion Action Plan" (Anhui Provincial People's Government, 2021). In the actual implementation, Anhui Province focuses on promoting system innovation from four aspects: the demand of market subjects, the exploration of regional differentiation, the standardization of international high-level economic and trade rules, and the strengthening of systematic integration reform. In exploring area differentiation among them, Anhui focuses on area resource endowments and industrial advantages; for example, in the Hefei area, "core screen close" for the industrial chain; in the Wuhu area, actively in the service of Jingdong air cargo for super hub project; in the Bengbu area actively explore breakthrough in the field of silicon-based new materials.

Institutional innovation is the core and soul of pilot free trade zones, and institutional innovation combined with reality is the cornerstone of the construction of pilot free trade zones. According to the instructions of the central government, Anhui Province has formulated the construction plan of the pilot free trade zone in combination with its reality. The plan highlights Anhui's distinctive practices, institutional innovation at the core, and Anhui's pioneering practices.

The Anhui provincial governments will improve systems and mechanisms for supporting basic research and original innovation and promote the development of scientific and technological innovation centers. To build a new mechanism for the transformation of scientific and technological achievements into a six-way integration of “government-industry-university-research-use fund” and to build a big science and technology market relying on Anhui Innovation Hall; the Anhui provincial governments will speed up the transformation of government functions, study and formulate a special list of powers to be granted to pilot free trade zones, simplify administrative review and approval procedures, and give enterprises more convenience.

#### **4. Challenges to Development of China (Anhui) Pilot Free Trade Zone**

The Shanghai FTZ is a new pilot opening-up initiative chosen by China. Its core is to accelerate reform through opening-up. It is also the first FTZ in China. The Shanghai FTZ has been established for many years, providing a good experience for the development of the Yangtze River Delta region. Anhui Province belongs to the urban agglomeration of the Yangtze River Delta, and the establishment of Shanghai FTZ has had an important impact on the economy of Anhui Province.

The construction of Anhui FTZ can bring the radiation and concentration of policy dividend and the convenience of information, trade, technology, system, and transportation generated by the economy of scale to Anhui Province, which provides powerful conditions for the further economic development of Anhui Province. Moreover, a large number of institutional innovations made by the FTZ in investment construction, trade supervision, financial reform, and transformation of government functions have also played a role in the demonstration and supervision of the reform and development of Anhui Province. But there are still some problems in the development of the Anhui FTZ compared with the Shanghai FTZ as follows:

##### **4.1. Issues on Competitiveness of Local Economy and Enterprises**

There is a big gap in economic development between Anhui Province and cities in the Yangtze River Delta, such as Shanghai, and the degree of opening to the outside world is low. According to the Statistical Bulletin, Anhui, Jiangsu, Zhejiang, and Shanghai are 12.25 percent, 43.54 percent, 49.45 percent, and 89.2 percent, respectively (National Bureau of Statistics, 2021b). Anhui Province has a low degree of openness to the outside world and a relatively backward level of economic development, which greatly

weakens the competitiveness of enterprises, which is a great setback for some enterprises in the province, and increases the difficulty for the trade transformation and upgrading of the pilot free trade zone.

According to the Statistical Bulletin, Anhui, Jiangsu, Zhejiang, and Shanghai accounted for 50.8 percent, 51.3 percent, 54.0 percent, and 72.7 percent, respectively. At the same time, the development of various industries in the tertiary industry structure of Anhui Province is unreasonable, and the development of the high-tech industry is also lagging. According to the latest available data (National Bureau of Statistics, 2021b), information transmission, software and information technology, scientific research, and technology services accounted for only 4.4 percent and 2.4 percent of Anhui’s service industries in 2019. High-tech and high-value-added service industries account for a relatively low proportion, which will affect the transformation and upgrading of the free trade zone in Anhui Province.

##### **4.2. Issues on Effectiveness and Efficiency of Factors Management**

Anhui’s urban and rural markets are divided, regional factor markets are not unified, cross-region factor allocation platform construction is insufficient, and material capital, human capital, and other factors can not realize cross-region free flow, resulting in a low degree of market integration. On the other hand, the government management system in Anhui leads to difficulties in the investment environment and market access, so it is not attractive to foreign capital, affecting enterprises and investors to settle in. The biggest feature of free trade is the free flow and efficient allocation of factors of production under the guidance of the market. Poor liquidity of factor resources will affect the efficiency of investment cooperation in pilot free trade zones and hinder their development.

#### **5. Strategic Approaches to Development of China (Anhui) Pilot Free Trade Zone**

##### **5.1. Strategic Objectives**

According to the “China (Anhui) Pilot Free Trade Zone Special Promotion Action Plan” (Anhui Provincial People’s Government, 2021), by the first anniversary of its construction, the management system and working mechanism of Anhui FTZ with high efficiency and coordination will be formed, a number of pilot projects of system innovation will be carried out, and the test results will be tracked and evaluated, a number of innovative achievements that can be replicated and popularized will be formed, the business environment has been greatly improved, and various reform

pilot tasks will be carried out in an orderly manner. By the second anniversary of the construction, the experience or cases copied and popularized throughout the country will be formed, the construction of the business environment will make breakthrough progress, gradually establish an institutional framework in line with international standards, and gradually realize the liberalization and facilitation of the international flow of various factors. By the third anniversary of its construction, the pilot task of reform and innovation specified in the overall plan of Anhui FTZ has been basically completed, forming a batch of institutional innovation experiences copied and popularized at the national, provincial and municipal levels. The construction

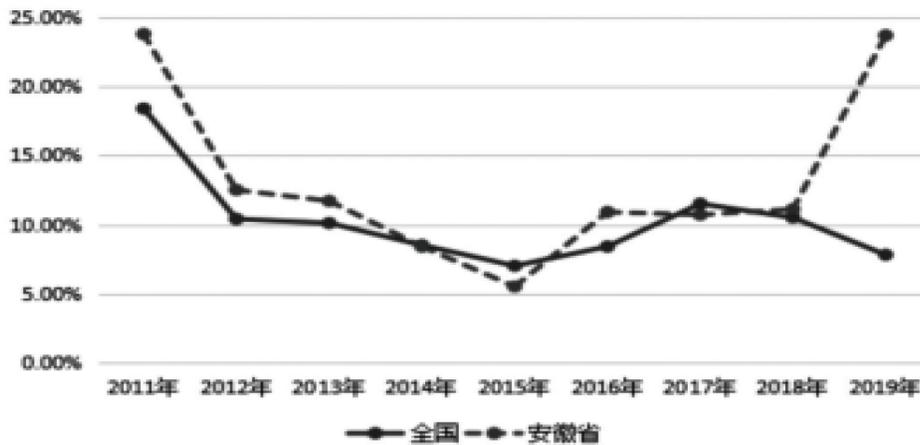
of a business environment is at the forefront of the Anhui FTZ, creating a highland of institutional innovation and reform and opening up in inland areas (see Table 2).

### 5.2. Strategic Approaches to Development of the Anhui FTZ

In recent years, Anhui Province has been committed to creating an open economic development pattern with remarkable achievements. Since 2010, Anhui’s GDP has grown rapidly at an average annual rate of 13.1%, exceeding the average GDP growth rate of 10.3%, that of the country, to 2019 (see Figure 4), the average growth rate of Anhui’s total

**Table 2:** Comparison of Strategic Objectives of Three Pilot Free Trade Zones in Anhui FTZ

	Hefei	Bengbu	Wuhu
Similarities	Perform their respective duties, take institutional innovation as the core, develop industries suitable for local development according to local advantages, play an important node role in promoting the development of the Yangtze River economic belt, and drive the development of the local economy.		
Differences	Focus on the development of high-end manufacturing, integrated circuits, artificial intelligence, new display, quantum information, science and technology finance, cross-border e-commerce, and other industries, and build a comprehensive national science center and industrial innovation center leading area with global influence.	Focus on the development of silicon-based new materials, bio-based new materials, new energy, and other industries, and build a world-class silicon-based and bio-based manufacturing center and a leading area for scientific and technological innovation and open development in Northern Anhui.	Focus on the development of industries such as intelligent Internet-connected vehicles, smart appliances, aviation, robotics, shipping services, and cross-border e-commerce, and build a strategic emerging industry pilot area and an international logistics hub for river-sea intermodal transport.



**Figure 4:** GDP Growth Rate Between National GDP and Provincial GDP from 2011 to 2019

Data Source: National Bureau of Statistics (2021b)

foreign trade was 12.9%, far exceeding the average growth rate of 5.3% of the country's total foreign trade. However, both the regional GDP and the total foreign trade account for a relatively small proportion of the country. Taking the 2019 data as an example, Anhui's regional GDP and total foreign trade were 3,711.398 billion yuan and 68.73 billion US dollars, respectively, accounting for 3.7% and 1.5% of the GDP and the country's total foreign trade, respectively (National Bureau of Statistics, 2021a).

Anhui Province has low land and labor costs and resource advantages and can undertake industrial transfer on a large scale. In recent years, affected by the industrial transfer in Shanghai, the provincial government's service capacity has been continuously enhanced, and supporting facilities and basic services have been gradually improved, providing a good environment for industrial development. Not only that, but Anhui Province is also actively looking for new opportunities for cooperation with other regions, exploring more suitable development forms, and continuously optimizing the development of service capabilities. Anhui has made notable achievements in science and technology. As of the end of 2019, there were 4,817 scientific and technological institutions, nearly 360,000 scientific research personnel, and 705 projects with major scientific and technological achievements (National Bureau of Statistics, 2021a). The development of science and technology is not only conducive to economic development but also the solid foundation of technology and theory, and it is also conducive to importing emerging industries and realizing industrial transfer. The strategic approaches implemented are as follows:

***Optimization and improvement of the business environment have progressed.***

In the process of construction, the Anhui FTZ further relaxed market access restrictions and reduced the negative list. Combined with the previous experience of the free trade zone, the negative list system was further refined and refined to attract more foreign investors to invest locally to expand the increment of foreign capital. At the same time, Anhui FTZ shall implement the foreign investment law and relevant policies and regulations, effectively protect the legitimate rights and interests of foreign investors, protect intellectual property rights, promote fair competition between domestic and foreign-funded enterprises, and ensure that the existing foreign investment is not lost. Anhui FTZ should take building a market-oriented, legalized, international, and convenient high-quality business environment as an important task and continue to deepen the reform of "release, management, and service" to enhance its attraction to foreign investment.

Hefei area to achieve the whole process of enterprise start-up electronic completion rate of 100%, intelligent approval of case rate of 100%; Wuhu area set up a

comprehensive service center, integrated the first batch of 217 approval items of 14 departments, the initial realization of "comprehensive window completed at one time, enterprises can be handled nearby, department ownership unchanged"; Bengbu area will be combined with the business license and business license, and take the lead in implementing the "one-photo pass" (Anhui Provincial People's Government, 2021).

Anhui promotes the opening up of the financial sector to the outside world and improves the quality and efficiency of financial services in the pilot free trade zone. Wuhu area has established a new model of credit loans for small + medium-sized enterprises based on big data analysis of "bank + credit information + guarantee," and used big data credit rating information to provide credit loans for small and medium-sized enterprises, providing a total of 4.552 billion yuan of credit loans for 981 small and medium-sized enterprises. Innovate the "RMB overseas lending output + export trade return" model to reduce the cost of enterprise exchange (Anhui Provincial People's Government, 2021).

***The conversion rate of scientific and technological innovation achievements has increased.***

Anhui focuses on the innovation of the whole chain system of "government, industry, academia and research funds," relies on the Anhui Innovation Hall to create a large market for science and technology, deepens the construction of the system for the transformation of scientific and technological achievements, and promotes the mutual sharing of resources such as scientific and technological achievements, enterprise needs, expert teams, and technology brokers. For example, in the application of scientific and technological achievements, explore government procurement to provide application scenarios for the landing of scientific and technological achievements. Innovate the new technology transfer model of "online platform + offline professional service" and effectively link the needs of colleges and universities, and enterprises. Hefei area will be 58 talents supporting comprehensive services in one network, serving more than 4,000 foreign experts.

***Advanced high-tech manufacturing and strategic emerging industries are clustered and developed.***

Anhui explores and promotes the transformation and upgrading of traditional industries and the development and expansion of strategic emerging industries; at the same time, Anhui focuses on the core advantageous industries of the three areas and drives the development of the whole industrial chain with leading enterprises, and signs a number of major projects in advanced manufacturing and strategic emerging industries. It is important to focus on promoting investment and trade liberalization and facilitation. In the field of cross-border e-commerce, Anhui has greatly improved the efficiency of customs clearance through reform matters

such as “list verification and release, summary statistics,” “cross-border e-commerce” risk management and control intelligence, and paperless cross-border e-commerce customs transfer, and the customs clearance time of 30,000 small bags has been compressed from 3 to 5 days to 2 hours. Through the “innovative processing outside the comprehensive insurance zone” model, “Lianbao Technology” and other products can be entrusted to enterprises outside the comprehensive insurance zone for production in the “link of product core assembly,” effectively improving the overall production capacity and efficiency of enterprises. Through the bonded group supervision model, the pilot company saves 20 million yuan of bonded materials per year, and the order response time is shortened from 3 days to 0.5 days (Anhui Provincial People’s Government, 2021).

Infrastructure construction has a certain role in promoting participation in domestic and international double circulation. Anhui will further strengthen the infrastructure construction of the free trade zone and take relevant supporting measures. Anhui FTZ improves the level of trade facilitation by setting up a paperless trade platform and providing trade circulation services. Further, facilitate the flow of cross-border goods and goods by establishing a cross-border e-commerce retail platform and encouraging financial institutions and payment institutions to provide payment services. Pay attention to information sharing, and monitor relevant data at home and abroad in real-time through the establishment of a database and unified data exchange and export to ensure the legitimacy of international trade links. To further promote the construction of Anhui FTZ, relevant departments should establish a set of relevant and effective laws, regulations, and policies and establish corresponding arbitration institutions to effectively solve the problems and legal disputes that may be encountered in the process of participating in the domestic and international double cycle, to better participate in the domestic and international double cycle.

## 6. Conclusion

With the continuous development of global trade and the acceleration of the trend of global economic integration, the number of free trade zones is increasing, the types are becoming more and more diversified, and the development of the early single model has gradually changed from the development of a single model to a union between regions and neighboring countries; From the initial product trade to the later formation of science and technology free trade zone, the development of the free trade zone has become an important part of economic development of the world.

In recent years, Anhui Province has been committed to the development of an open economy, and its economic vitality has increased significantly under the impetus of a

series of preferential policies such as the Belt and Road Initiative, the China-Europe International Freight Shuttle, and the Yangtze River Economic Belt Development Plan, and the total amount of foreign trade has continued to grow. At present, the economic development momentum of Anhui Province is solid, the regional GDP continues to rise, and it has become one of the representative new highlands for inland opening up by virtue of its labor forces, policy support, location advantages, and technological innovation potentials, but there are certain degrees of gaps in the economic development of districts and cities, the proportion of labor market structure, the layout of industrial structure, and the use of foreign capital. Anhui Province should learn from the good experience of the previously established free trade zones, combine its own development characteristics, and focus on exploring differentiated development paths.

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